



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JULY 1, 2014**

**FROM: ENVIRONMENTAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - SECOND AMENDMENT TO AGREEMENT NO. 12-3037 - PROPOSITION 1B - GOODS MOVEMENT EMISSION REDUCTION PROGRAM COOPERATIVE GRANT AGREEMENT WITH THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT FOR THE IMPLEMENTATION OF SHORE-SIDE ELECTRIC POWER AT TEN BERTHS**

**SUMMARY:**

In January 2012, the Board of Harbor Commissioners (Board) approved a grant from the South Coast Air Quality Management District (SCAQMD) for reimbursement funding from the Proposition 1B – Goods Movement Emission Reduction Program (Prop 1B). On January 17, 2012, the City of Los Angeles Harbor Department (Harbor Department) entered into Agreement No. 12-3037 with the SCAQMD, the fiduciary agency, to receive Prop 1B grant reimbursement funding in the amount of \$23.7 million to install shore-side electrical power, also referred to as Alternative Maritime Power (AMP) at ten berths within the Port of Los Angeles (Port).

Originally, Agreement No. 12-3037 required ships to actually plug into Prop 1B funded berths on or before December 31, 2013, or grant funding would be forfeited. As a result, on January 13, 2014, the Board approved the First Amendment to Agreement 12-3037, which allowed load bank testing to demonstrate operability at the Prop 1B funded AMP berths prior to December 31, 2013, in the event there was no available ship capable of plugging into an AMP berth on or before that time.

Agreement No. 12-3037 currently requires that Prop 1B berths complete successful post-inspection 30 calendar days prior to the “liquidation deadline” of March 7, 2014, or grant funding would be forfeited. Although all parties have already verbally agreed to extend this deadline, the proposed Second Amendment to Agreement 12-3037 (Amendment) will formally extend the post-inspection deadline. This action will also establish a deadline schedule and allow the Harbor Department to file additional time extensions for post-inspections, if needed.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

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PROPOSITION 1B GRANT REIMBURSEMENT

1. Approve in substantial form the Second Amendment to Agreement No. 12-3037 between the South Coast Air Quality Management District and the City of Los Angeles Harbor Department;
2. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreement for and on behalf of the Board; and
3. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background/Context – Prop 1B, approved by voters in 2006, authorizes \$1 billion in bond funding to the California Air Resources Board (CARB) to cut air pollution and the associated health risk by upgrading the diesel equipment used to move freight in California’s trade corridors. The intent of the Prop 1B funding is to achieve emission reductions surplus required by regulation. CARB has adopted a regulation to reduce emissions from diesel auxiliary engines on container, cruise, and reefer vessels while at-berth. In order to achieve surplus emission reductions, Prop 1B funded berths must achieve at least ten percent more shore-power calls than what is required by regulation.

In June 2010, CARB awarded \$200 million primarily to truck and vessel/cargo handling equipment projects. Of the \$81 million allocated to vessel/cargo handling projects, approximately \$61 million was allocated to reduce at-berth vessel emissions in southern California. SCAQMD has been designated as the fiduciary agency for these funds. On January 17, 2012, the Harbor Department entered into Agreement No. 12-3037 with SCAQMD to receive \$23.7 million in Prop 1B grant funding.

Prop 1B requires that funded berths operate for a minimum of ten years. Prop 1B also requires that a minimum percentage of calls to a funded berth utilize shore power. The minimum percentages of AMPed vessel calls required by compliance year for the Prop 1B grant in relation to the CARB requirements are shown below:

**Minimum AMP Vessel Call Requirements**

Years	CARB Rule	Prop 1B
2014-2016	50%	60%
2017-2019	70%	80%
2020-2023	80%	90%

Prop 1B does, however, include a provision that allows averaging for multiple berths at a terminal, understanding that certain berths are utilized more frequently due to terminal berthing plans. If minimum usage requirements are not achieved, then the Harbor Department would be required to return a prorated amount of the Prop 1B funds to the

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SCAQMD. Recordkeeping to demonstrate compliance with Prop 1B will be conducted by Harbor Department staff.

The expected emission benefit over the life of Agreement No. 12-3037 is estimated to be 85 tons of particulate matter and 4,972 tons of nitrogen oxide. The AMP equipment funded under Prop 1B is expected to operate beyond the ten-year term of this Agreement No. 12-3037, which will provide additional long-term emission reduction benefits in the Port and the region.

Program Award – In January 2012, the Board approved the Prop 1B grant award to help fund the installation of AMP capabilities at ten container berths. The total cost to equip these ten berths with AMP capabilities was \$68.7 million. The grant provides up to either \$1.9 million or \$2.5 million per berth for a total of \$23.7 million. Agreement No. 12-3037 allows reimbursement of up to 50% or \$2.5 million per berth of the Harbor Department's eligible costs once the projects are completed and pass post-inspection. The berths that are scheduled to receive Prop 1B reimbursement funding are West Basin Container Terminal (Berths 121 and 126), Yusen Terminal (Berths 212 and 216), Seaside Terminal (Berth 227), and Pier 400 (Berths 401, 402, 403, 404, and 405).

First Amendment to Agreement No. 12-3037 – The First Amendment to Agreement No. 12-3037, approved by the Board in January 2014, allows the addition of load bank system testing. Load bank system testing demonstrates the operability of the AMP berth. The load bank test was an option that could have been used if there was no ship capable of plugging into an AMP berth on or before the project completion date of December 31, 2013.

Proposed Second Amendment to Agreement 12-3037 – The proposed Amendment (Transmittal 1) extends the post-inspection deadline, establishes a deadline schedule and allows the Harbor Department to file additional time extensions for post-inspections for Prop 1B berths, if needed. Extra time may be needed for post-inspections due to technical issues associated with first time AMP connections, vessel call schedules, and vessels not equipped with AMP. The first time a vessel tries to connect to AMP is known as "Commissioning" and oftentimes technical issues occur either on the ship side or landside that does not allow for a successful connection. As a result, CARB authorized a six-month transition period to the shore power regulation from January 1 – June 30, 2014, allowing time for fleets to work out technical issues associated with plugging in vessels to AMP. Under Prop 1B, SCAQMD has established this schedule to allow more time to successfully conduct post-inspections as shown below:

Post-Inspection Deadline	Number of Berths
June 30, 2014	At least 6
September 30, 2014	Remaining berths

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Currently, the Harbor Department has successfully post-inspected six of the ten Prop 1B berths. The berths that have successfully been post-inspected are Berths 126, 212, 216, 401, 403 and 405.

**ECONOMIC BENEFITS:**

Approval of the proposed Amendment will have no employment impact. An economic benefit under the original Agreement No. 12-3037 was assessed to support 556 one-year equivalent direct jobs for the five-county region at the time of approval.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a Second Amendment to Agreement No. 12-3037 with SCAQMD to extend the Prop 1B berth post-inspection deadline, establish a deadline schedule, and allow for the filing of additional time extensions, if needed. As an activity involving the installation of environmental protection devices for use in conjunction with existing facilities, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1 (6) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

The proposed Amendment extends the post-inspection deadline, establishes a deadline schedule and allows the Harbor Department to file additional time extensions for post-inspections for Prop 1B berths, if needed. The total anticipated grant reimbursement remains at \$23.7 million. To date, one reimbursement payment of \$2.5 million has been requested by the Harbor Department. Remaining reimbursement requests totaling approximately \$21.2 million will be submitted in the third quarter of 2014.

The total cost to equip these ten berths with AMP capabilities was \$68.7 million. The grant provides a total of \$23.7 million, which leaves a Harbor Department cost share of \$45 million. Since the inception of the shore power program in 2004, the Harbor Department has spent approximately \$180 million on shore power infrastructure at a total of 25 berths.

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**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved the Second Amendment as to form and legality.

**TRANSMITTAL:**

1. Second Amendment to Agreement No. 12-3037

FIS Approval: WR (initials)  
CA Approval: JS (initials)




CHRISTOPHER CANNON  
Director of Environmental Management



MICHAEL R. CHRISTENSEN  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director

AUTHOR: CARTER ATKINS  
BOARD MEETING: 07/10/14

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